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full financial report 2002



# downer edi limited full financial report 2002

This publication includes Downer EDI Limited's Directors' Report, the Annual Financial Report and Audit Report for the financial year ended 30 June 2002.

It should be read in conjunction with the Downer EDI Limited Concise Annual Report 2002 which provides an overview of the key activities for the year ended 30 June 2002. The Concise Annual Report includes the Message from the Chairman, Managing Director's Review, Chief Financial Officer's Review, division reviews, Directors' profiles and sections on corporate governance, ownership, information for investors and Australian Stock Exchange information.

The Full Financial Report and the Concise Annual Report comprise the full annual report of Downer EDI Limited for the year ended 30 June 2002, in accordance with the Corporations Act 2001.

The Concise Annual Report 2002 is available from Downer EDI's Corporate Affairs office by request on 02 9251 9899. Both the Concise Annual Report 2002 and the Full Financial Report 2002 can be found at the Downer EDI website: [www.downeredi.com](http://www.downeredi.com).

## **Annual General Meeting**

Downer EDI Limited's 2002 Annual General Meeting will be held in Sydney at the Exchange Square Auditorium, Australian Stock Exchange, 10 Bridge Street, Sydney on 24 October 2002 commencing 10.00 am.

# directors' report

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The Directors of Downer EDI Limited submit herewith the annual financial report for the financial year ended 30 June 2002. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## Directors

The names of the Directors of the company during or since the end of the financial year are:

Mr K Y Lau  
*(also alternate for Dr C K Chan)*  
Mr B D O'Callaghan  
Mr S J Gillies  
Dr C K Chan  
Mr R W Dunning  
Mr C K Fok  
*(Resigned 24 October 2001)*  
Mr J S Humphrey  
Mr T J Kennedy  
Mr M J Kent  
Mr G M Lawrence  
Mr K J Roche  
Mr T Y Chan  
*(alternate for Mr C K Fok)*  
*(Resigned 24 Oct 2001)*  
Mr W Shurniak  
*(Appointed 24 October 2001)*

A profile of current Board Members is provided on pages 36 and 37 of the Concise Annual Report 2002.

## Directors' Meetings

There were 7 full board meetings, 2 audit sub-committee and 2 remuneration sub-committee meetings held during the financial year. The number of meetings attended by each director is set out below.

Directors	Attended		
	Board of Directors	Audit Committee	Remuneration Committee
K Y Lau (also alternate for C K Chan)	7	2	2
B D O'Callaghan	7	2	
S J Gillies	7		
C K Chan	7		
R W Dunning	5		
C K Fok **	2		
J S Humphrey	6		
T J Kennedy	5		
M J Kent	7	2	2
G M Lawrence	5		
K J Roche	5		2
T Y Chan (alternate for C K Fok) **	2		
W Shurniak *	4		

\* 5 meetings held while a Director

\*\* 2 meetings held while a Director

## Directors' Shareholdings

Director	Fully Paid Ordinary Shares
S J Gillies	1,606,550
B D O'Callaghan	56,098
R W Dunning	73,846
J S Humphrey	10,337

## Principal Activities

The principal activities of the consolidated entity are that of a multi-disciplinary, multi-national entity focused on selected opportunities in the energy, resources and infrastructure sectors including oil, gas, geothermal and mineral drilling exploration, contract mining, rail services, infrastructure services, power, telecommunications and engineering projects.

## Dividends

In respect of the financial year ended 30 June 2001, as detailed in the Directors' Report for that financial year a final dividend of 1.6 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 29 November 2001.

In respect of the financial year ended 30 June 2002, dividends totalling \$5,200,000 (unfranked) were paid or provided for in respect of the 8% converting preference shares.

In respect of the financial year ended 30 June 2002, an interim dividend of 0.5 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 30 April 2002.

In respect of the financial year ended 30 June 2002, the Directors declared the payment of a final dividend of 1.9 cents per share (unfranked) to the holders of fully paid ordinary shares to be paid on 29 November 2002.

## Review of Operations

A review of the consolidated entity's operations is contained in the Managing Director's Report on pages 10 to 13 of the Concise Annual Report 2002.

## Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity.

## Subsequent Events

There has not been any matter or circumstance, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in financial years after the financial year.

## Future Developments

The Directors believe that to include in this report particular information regarding likely developments in the operations of the consolidated entity, and the expected results of those operations in future financial years, is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## Employee Share Plan ("ESP")

No shares were issued under the ESP during the year. Further details on the employee share plan are disclosed in note 7 to the financial statements.

## Executive Share Option Scheme ("EOS")

No options were granted under the EOS during the year. Further details on the executive share option plan are disclosed in note 8 to the financial statements.

## Share Options

In respect of the 27,272,727 unquoted options over ordinary shares granted to Capital B.O.S.A. on 25 March 1999, 27,272,727 unquoted options were exercised on 21 March 2002, resulting in the issue of 27,272,727 ordinary shares of the company at an issue price of \$0.55 per ordinary share.

## Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company (as named above), the company secretaries, Mr G D Bruce and Mr B J Crane, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors' and Executives' Remuneration

The Remuneration Committee was formed to review the remuneration packages of all Directors and executive officers. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the Remuneration Committee may seek the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages may contain the following key elements:

- a) salary/fees;
- b) benefits – including the provision of motor vehicle, superannuation and health benefits; and
- c) incentive schemes – including performance related bonuses and share options under the executive share option scheme and employee share plan as disclosed in notes 8 and 7 to the financial statements.

# directors' report continued

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The following table discloses the remuneration of the Directors of the company and the five highest remunerated executives of the company and the consolidated entity.

Name	Office	Salary Fee	Benefits	Incentive Schemes	Total
		\$	\$	\$	\$
K Y Lau	Non-Executive Director	–	–	–	–
S J Gillies	Executive Director	975,000	78,000	243,750	1,296,750
B D O'Callaghan	Non-Executive Director	48,000	3,840	–	51,480
Dr C K Chan	Non-Executive Director	–	–	–	–
T Y Chan	Non-Executive Director	–	–	–	–
R W Dunning	Non-Executive Director	36,450	–	–	36,450
C K Fok	Non-Executive Director	–	–	–	–
J S Humphrey	Non-Executive Director	45,000	–	–	45,000
T J Kennedy	Non-Executive Director	45,000	3,600	–	48,600
M J Kent	Non-Executive Director	–	–	–	–
G M Lawrence	Non-Executive Director	–	–	–	–
K J Roche	Non-Executive Director	45,000	3,600	–	48,600
W Shurniak	Non-Executive Director	–	–	–	–
R A Logan	Executive	394,230	108,182	–	502,412
C R Denney	Executive	316,604	47,062	58,212	421,878
G J Shaw	Executive	290,101	34,384	84,034	408,519
P S Bugden	Executive	242,038	103,686	43,200	388,924
J M Ricciardo	Executive	266,251	102,238	–	368,489

## Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars.

## Environmental Regulations

The consolidated entity's performance in relation to environmental regulation is contained in the Corporate Governance section on page 39 of the Concise Annual Report 2002.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



Mr K Y Lau  
Director



Mr S J Gillies  
Director

Sydney, 23 August 2002

# statement of financial performance

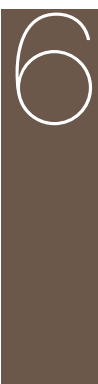
for the financial year ended 30 June 2002

	Note	Consolidated		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from ordinary activities		2,430,390	1,624,235	50,743	48,983
Share of net profits of associates and joint ventures accounted for using the equity method		12,059	8,589	–	–
Changes in inventories of finished goods and work in progress		133,804	(16,577)	–	–
Raw materials and consumables used		(1,002,469)	(514,960)	–	–
Employee benefits expense		(585,810)	(357,246)	(4,377)	(2,631)
Borrowing costs		(39,918)	(36,004)	(17,178)	(25,284)
Subcontractors		(378,571)	(263,080)	–	–
Plant & equipment costs		(343,434)	(206,989)	–	–
Communication expenses		(14,422)	(7,725)	(190)	(116)
Travel and accommodation		(16,250)	(11,785)	(447)	(485)
Professional fees		(17,454)	(11,944)	(1,102)	(707)
Occupancy		(16,201)	(10,007)	(411)	(311)
Other expenses from ordinary activities		(82,423)	(132,408)	(272)	(370)
<b>Profit from Ordinary Activities Before Income Tax Expense</b>	2	79,301	64,099	26,766	19,079
Income tax expense relating to ordinary activities	4	(22,870)	(18,583)	(5,211)	(507)
<b>Net Profit Attributable to Members of the Parent Entity</b>		56,431	45,516	21,555	18,572
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations	32	(16,783)	17,865	–	–
<b>Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised</b>					
<b>Directly in Equity</b>		(16,783)	17,865	–	–
<b>Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners</b>		39,648	63,381	21,555	18,572
<b>Earnings Per Share</b>					
– Basic (cents per share)	34	5.8	6.1		
– Diluted (cents per share)	34	5.5	5.7		

Notes to the financial statements are included on pages 8 to 46.

# statement of financial position

as at 30 June 2002



		Consolidated		Company	
	Note	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Current Assets</b>					
Cash		106,298	63,953	827	79
Inventories	10	112,054	128,719	-	-
Receivables	11	677,531	492,978	210,398	68,370
Other financial assets	12	20,385	9,608	3,383	3,106
Tax assets	13	12,111	6,800	-	-
Other	14	10,308	7,869	44	387
<b>Total Current Assets</b>		<b>938,687</b>	<b>709,927</b>	<b>214,652</b>	<b>71,942</b>
<b>Non-Current Assets</b>					
Receivables	15	19,737	18,925	409,308	479,963
Investments accounted for using the equity method	16	26,367	24,020	-	-
Property, plant and equipment	17	530,819	601,373	-	-
Intangibles	18	278,525	256,958	-	-
Other financial assets	19	7,958	-	226,416	225,883
Deferred tax assets	20	26,325	18,193	793	616
Other	21	2,848	-	-	-
<b>Total Non-Current Assets</b>		<b>892,579</b>	<b>919,469</b>	<b>636,517</b>	<b>706,462</b>
<b>Total Assets</b>		<b>1,831,266</b>	<b>1,629,396</b>	<b>851,169</b>	<b>778,404</b>
<b>Current Liabilities</b>					
Payables	22	389,509	352,813	1,425	4,297
Interest-bearing liabilities	23	24,063	18,669	-	-
Provisions	24	94,010	83,257	20,462	22,483
Tax	25	5,784	9,923	5,889	586
<b>Total Current Liabilities</b>		<b>513,366</b>	<b>464,662</b>	<b>27,776</b>	<b>27,366</b>
<b>Non-Current Liabilities</b>					
Payables	26	2,162	3,465	274,858	277,927
Interest-bearing liabilities	27	529,212	522,309	-	35,000
Provisions	28	16,528	17,513	95	95
Deferred tax liabilities	29	60,433	35,333	201	253
<b>Total Non-Current Liabilities</b>		<b>608,335</b>	<b>578,620</b>	<b>275,154</b>	<b>313,275</b>
<b>Total Liabilities</b>		<b>1,121,701</b>	<b>1,043,282</b>	<b>302,930</b>	<b>340,641</b>
<b>Net Assets</b>		<b>709,565</b>	<b>586,114</b>	<b>548,239</b>	<b>437,763</b>
<b>Equity</b>					
Contributed equity	31	607,705	495,472	546,973	434,740
Reserves	32	380	17,785	-	-
Retained profits	33	101,480	72,857	1,266	3,023
<b>Total Equity</b>		<b>709,565</b>	<b>586,114</b>	<b>548,239</b>	<b>437,763</b>

Notes to the financial statements are included on pages 8 to 46.



# statement of cash flows

for the financial year ended 30 June 2002

	Consolidated		Company		
	Note	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Cash Flows From Operating Activities</b>					
Receipts from customers		2,391,234	1,656,157	679	-
Payments to suppliers and employees		(2,307,139)	(1,548,348)	(8,676)	(5,602)
Distributions from joint ventures		13,879	798	-	-
Interest received		3,956	2,913	81	108
Interest and other costs of finance paid		(40,333)	(34,565)	(2,905)	(2,996)
Income tax paid		(14,244)	(6,445)	-	-
Net cash provided by/(used in) operating activities	44(e)	47,353	70,510	(10,821)	(8,490)
<b>Cash Flows From Investing Activities</b>					
Advances to controlled entities		-	-	(138,263)	(125,522)
Payment for investment securities		(10,773)	-	-	-
Proceeds from sale of investment securities		105	370	-	-
Payment for property, plant and equipment		(90,898)	(68,398)	-	-
Proceeds from sale of property, plant and equipment		62,226	33,686	-	-
Receipts from other advances		3,000	-	-	80
Receipt of joint venture advances		2,002	9,594	-	-
Advances to joint ventures		(6,906)	(157)	-	-
Proceeds from sale of businesses	44(c)	25,504	-	-	-
Payment for businesses acquired	44(b)	(59,980)	(112,879)	-	-
Net cash used in investing activities		(75,720)	(137,784)	(138,263)	(125,442)
<b>Cash Flows From Financing Activities</b>					
Proceeds from issues of equity securities		51,271	1,050	51,271	1,050
Proceeds from borrowings		367,480	154,704	104,601	147,703
Repayment of borrowings		(336,738)	(34,976)	-	-
Dividends paid		(11,242)	(20,111)	(6,040)	(14,911)
Payment for other borrowing costs		(285)	(3,084)	-	-
Net cash provided by financing activities		70,486	97,583	149,832	133,842
<b>Net Increase/(Decrease) In Cash Held</b>		42,119	30,309	748	(90)
<b>Cash At The Beginning Of The Financial Year</b>		63,953	33,487	79	169
Effects of exchange rate changes on the balance of cash held in foreign currencies		(236)	157	-	-
<b>Cash At The End Of The Financial Year</b>	44(a)	105,836	63,953	827	79

Notes to the financial statements are included on pages 8 to 46.

# notes to the financial statements

for the financial year ended 30 June 2002

## 1 STATEMENT OF ACCOUNTING POLICIES

### Financial Reporting Framework

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### Acquisition and Disposal of Non-current Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. In the event that settlement of all or part of the

cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The cost of property, plant and equipment constructed within the consolidated entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads. Interest costs on borrowings to finance assets under construction are capitalised up to the date of completion of each asset.

Any gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of disposal (net of selling costs) and is included in the results in the year of disposal.

### Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

### Comparative information

Comparative information has been restated where necessary to conform with current year presentation.

### Construction Contracts

Amounts due from customers consist of costs plus profits recognised to date less progress billings received and provisions for foreseeable losses. Profits and revenue are recognised in

proportion to the percentage of completion of the contract, based on physical estimates, surveys of the work performed or cost incurred. A provision for a foreseeable loss is made as soon as the loss is anticipated and is made for both work in progress completed to date and for future work on the contract.

### Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on the productive usage of assets basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

Buildings	20-30 years
Plant and equipment	3-15 years
Quarries	20-25 years
Equipment under finance lease	5-15 years

### Drilling Licence

The drilling licence is stated at cost. The carrying amount of the licence is reviewed annually by Directors to ensure it is not in excess of the recoverable amount. Amortisation is calculated on a straight-line basis so as to write off the cost of the licence over the period that the benefits are expected to arise. The estimated period that benefits are expected to arise is ten years.

### Earnings Per Share (EPS)

- (i) *Basic earnings per share*  
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.
- (ii) *Diluted earnings per share*  
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The assessment of whether or not a potential ordinary share is dilutive is based on conditions at balance date.

### Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, redundancy and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of wages and salaries, annual leave, sick leave and other employee entitlements expected to be



settled within 12 months are measured at their nominal values.

Provisions made in respect of employee entitlements which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

### Financial Instruments Issued

Debt and Equity Instruments – Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments – Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends – Interest and dividends are classified as expenses or as a distribution of profit consistent with the balance sheet classification of the related debt or equity instruments.

Financial instruments are used to hedge exposure to foreign currency and interest rates – Transactions designated as hedges are accounted for on a basis consistent with the accounting for the underlying transactions.

### Foreign Currency

All foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of each transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in the statement of financial performance in the year in which they arise except that:

- (i) exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- (ii) exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Exchange differences related to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation are taken directly to the foreign currency translation reserve. Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are brought to account by entries made directly to the foreign currency translation reserve.

### Goods and Services Tax

Revenues and expenses and assets are recognised net of the amount of goods and services tax (GST) except;

- (i) where the amount of GST incurred is not recoverable

from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- (ii) for receivable and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised by the straight-line method over the 20 year period during which benefits are expected to be received. The balance is reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, is written off.

### Income Tax

Tax effect accounting principles are adopted whereby the income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur

when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in deferred income tax and future income tax benefit, as applicable. Any net future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of being realised. Future income tax benefits relating to timing differences are not carried forward as an asset unless the benefit is regarded as being assured beyond any reasonable doubt.

Realisation of the potential future income tax benefit is dependent on:

- (i) the relevant entities earning future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- (ii) the relevant entities continuing to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affecting the relevant entities in realising the benefit.

Where assets are revalued, no provision for potential capital gains tax is made as no decision has been made to sell any of these assets.

### Intellectual Property

Patents, trademarks and licenses are recorded at cost and amortised on a straight line basis over their useful lives, which is not greater than forty years.

# notes to the financial statements

for the financial year ended 30 June 2002

## 1 STATEMENT OF ACCOUNTING POLICIES continued

### Interest Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

### Investments

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments are recorded at cost. Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

### Joint Venture Operations and Entities

Interests in joint venture operations have been reported in the financial statements by including the consolidated entity's

share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

Interests in joint venture entities which are:

- (i) partnerships have been accounted for under the equity method in the company and consolidated financial statements; and
- (ii) not partnerships have been accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

### Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments. A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments, where

the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of operating profit in equal instalments over the lease term. Expenditure arising from operating lease commitments is charged against income in the period incurred.

### Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 39.

Consistent accounting policies have been employed by each entity in the consolidated entity. The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such an entity.

In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the consolidated entity are eliminated in full.

### Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

### Recoverable Amount of Non-current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds the recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

### Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

### Warranty Costs

Provision is made for the estimated liability on products still under warranty at balance date. This provision is estimated having regard to service warranty experience over the last five years. Other warranty costs are accrued for as and when the liability arises.

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>2 PROFIT FROM ORDINARY ACTIVITIES</b>				
Profit from ordinary activities before income tax includes the following items of revenue and expense:				
<b>Operating revenue</b>				
Sales revenue:				
Sale of goods	100,052	151,561	-	-
Rendering of services	1,334,189	884,939	11,980	8,567
Construction contract revenue	916,624	545,898	-	-
Dividends:				
Wholly-owned controlled entities	-	-	11,000	17,592
Other entities	-	841	-	-
Interest revenue:				
Wholly-owned controlled entity	-	-	27,270	22,056
Other entities	3,546	8,154	100	108
Related entities	778	-	-	-
Equity share of associates' and joint venture entities' profits	12,059	8,589	-	-
Rental income	399	102	139	-
Royalties	-	215	-	-
Net foreign exchange gain	1,388	1,910	254	-
Other	2,406	1,349	-	660
<b>Total operating revenue</b>	<b>2,371,441</b>	<b>1,603,558</b>	<b>50,743</b>	<b>48,983</b>
<b>Non operating revenue</b>				
Proceeds from the sale of non-current assets:				
Property, plant and equipment	67,925	27,510	-	-
Investments	3,083	1,756	-	-
<b>Total non-operating revenue</b>	<b>71,008</b>	<b>29,266</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>2,442,449</b>	<b>1,632,824</b>	<b>50,743</b>	<b>48,983</b>
Share of sales revenue in joint venture entities net of distributions	143,187	85,304	-	-
<b>Total turnover</b>	<b>2,585,636</b>	<b>1,718,128</b>	<b>50,743</b>	<b>48,983</b>

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>2 PROFIT FROM ORDINARY ACTIVITIES (continued)</b>				
<b>Expenses</b>				
Cost of sales	73,051	116,028	-	-
Interest:				
Wholly owned controlled entities	-	-	15,769	22,056
Other entities	35,917	30,498	1,291	2,996
Finance lease charges	2,520	3,569	-	-
Depreciation of non-current assets:				
Plant and equipment	84,038	63,952	-	-
Buildings	1,700	1,248	-	-
Quarries	115	111	-	-
Amortisation of non-current assets:				
Leased assets	6,820	6,323	-	-
Goodwill	14,258	9,360	-	-
Drilling licence	212	210	-	-
Intellectual property	850	931	-	-
Net transfers to/(from) provisions:				
Employee entitlements	9,417	2,183	1,050	205
Contract claims and warranties	1,392	2,888	-	-
Doubtful debts	(5,755)	1,053	-	-
Future contract losses	(3,774)	-	-	-
Other	(1,221)	-	-	-
Operating lease rental expenses	45,859	22,094	-	300
Other borrowing costs	1,481	1,937	118	232
Net foreign exchange loss	922	2,054	254	173
Contributions made to a defined benefits superannuation plan during the financial year	-	444	-	-

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>3 SALES OF ASSETS</b>				
Sales of assets in the ordinary course of business have given rise to the following profits:				
Net Profits				
Investments	3,083	380	-	-
Property, plant and equipment	3,991	3,047	-	-
	7,074	3,427	-	-

#### 4 INCOME TAX

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

<b>Profit from Ordinary Activities</b>	79,301	64,099	26,766	19,079
Income tax expense calculated at 30% (2001: 34%) of operating profit	23,790	21,794	8,030	6,487
<b>Permanent differences:</b>				
Non-allowable depreciation	953	667	-	-
Amortisation of intangible assets	4,596	3,570	-	-
Non-taxable capital gains	(239)	(1,255)	-	-
Exempt income	-	(1,311)	-	(372)
Non-deductible expenses	748	709	481	2
Rebateable dividends	-	(265)	(3,300)	(5,610)
Equity share of associates' and joint venture entities' profits	(3,618)	(2,577)	-	-
Effect of different rates of tax on overseas income	694	184	-	-
Research and development	(2,365)	-	-	-
Other items	(595)	(120)	-	-
Future income tax benefit not previously recognised now brought to account	-	(598)	-	-
Effect on future income tax benefit and deferred income tax due to the change in income tax rate from 34% to 30% (effective 1 July 2001)	-	(1,088)	-	-
	23,964	19,710	5,211	507
Under/(over) provision of income tax in previous year	(1,094)	(1,127)	-	-
Income tax expense attributable to operating profit	22,870	18,583	5,211	507

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$

## 5 DIRECTORS' REMUNERATION

The Directors of Downer EDI Limited during the year were:

- K Y Lau (also alternate Director for C K Chan)
- S J Gillies
- B D O'Callaghan
- C K Chan
- R W Dunning
- J S Humphrey
- C K Fok
- K J Roche
- G M Lawrence
- T J Kennedy
- M J Kent
- T Y Chan (alternate Director for C K Fok)
- W Shurniak

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the company, directly or indirectly, by the company or by any related party.

1,527,240      2,699,913

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are Directors or by any related party.

9,904,383      8,853,913

The number of Directors of the company whose total income falls within the following bands:

	2002	2001
	No.	No.
\$0 - \$9,999	7	6
\$10,000 - \$19,999	-	1
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	3	1
\$50,000 - \$59,999	1	2
\$1,110,000 - \$1,119,999	-	1
\$1,290,000 - \$1,299,999	1	-
\$1,410,000 - \$1,419,999	-	1



	Consolidated		Company	
	2002 \$	2001 \$	2002 \$	2001 \$

## 6 EXECUTIVES' REMUNERATION

Aggregate remuneration of executive officers of the company working mainly in Australia and receiving \$100,000 or more from the company or a related party.

2,414,714    3,512,184

Aggregate remuneration of executive officers of each entity in the consolidated entity working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party.

16,734,162    13,131,213

Number of executive officers whose remuneration falls within each successive \$10,000 band of income (commencing at \$100,000):

	No.	No.	No.	No.
\$100,000 - \$109,999	11	4	-	2
\$110,000 - \$119,999	6	-	-	-
\$120,000 - \$129,999	6	1	-	-
\$130,000 - \$139,999	6	2	-	1
\$140,000 - \$149,999	6	5	1	2
\$150,000 - \$159,999	5	-	-	-
\$160,000 - \$169,999	4	1	-	-
\$170,000 - \$179,999	3	2	1	-
\$180,000 - \$189,999	3	3	-	-
\$190,000 - \$199,999	2	-	-	-
\$200,000 - \$209,999	3	1	1	-
\$210,000 - \$219,999	2	2	-	-
\$220,000 - \$229,999	1	-	-	-
\$230,000 - \$239,999	2	-	-	-
\$240,000 - \$249,999	3	-	-	-
\$250,000 - \$259,999	1	1	-	-
\$260,000 - \$269,999	1	1	-	-
\$270,000 - \$279,999	1	1	-	-
\$280,000 - \$289,999	1	2	1	-
\$290,000 - \$299,999	-	2	-	-
\$300,000 - \$309,999	4	-	1	-
\$310,000 - \$319,999	1	1	-	-
\$330,000 - \$339,999	1	1	-	1
\$350,000 - \$359,999	3	1	-	-
\$360,000 - \$369,999	2	2	-	-
\$400,000 - \$409,999	-	1	-	-
\$420,000 - \$429,999	1	-	-	-
\$440,000 - \$449,999	-	1	-	-
\$500,000 - \$509,999	1	-	-	-
\$510,000 - \$519,000	-	1	-	-
\$570,000 - \$579,999	-	1	-	-
\$1,110,000 - \$1,119,999	-	1	-	1
\$1,290,000 - \$1,299,999	1	-	1	-
\$1,410,000 - \$1,419,999	-	-	-	1
\$1,560,000 - \$1,569,999	-	1	-	-

# notes to the financial statements

## for the financial year ended 30 June 2002

### 7 EMPLOYEE SHARE PLAN (ESP)

The company has an ownership-based remuneration plan for executives and employees. In accordance with the provisions of the plan, as approved by shareholders at an annual general meeting, permanent full and part time employees of Downer EDI Limited and its associated companies who have completed one year's service with Downer EDI Limited or its predecessors may participate. It is intended that only employees in Australia,

Hong Kong and New Zealand will be invited to participate.

The total number of ordinary shares purchased by any executive or employee under the plan shall not exceed 4,000 but employees may choose to accept a lesser number.

At 30 June 2002, no executives or employees had been offered shares under the provisions of the plan.

The aggregate number of shares outstanding under the plan in respect of which loans from Downer EDI Limited (and its associated companies) remain outstanding in whole or in part, will not exceed 2% of Downer EDI Limited's issued share capital at any time. The issue price of the shares will be the market price of the shares at the time of issue. There has been no change to the terms of the plan since the last Annual Report of the company.

The difference between the total market value of the ordinary shares issued under the plan during a financial year, at the date of issue, and the total amount received from executives and employees will not be recognised in the financial statements except for the purposes of determining Directors' and executives' remuneration in respect of that financial year.

### 8 EXECUTIVE SHARE OPTION SCHEME (EOS)

The operation of the EOS is governed by the "Rules of the Downer Executive Option Scheme". Subject to the Listing Rules of the ASX, the Directors, at their discretion, may amend the Rules of the EOS, from time to time.

The Directors may offer options to executives of the company and its associated companies.

Options will be granted without charge.

The Directors will determine the following matters in their discretion:-

- eligibility of persons, having regard to each executive's length of service, contribution and potential contribution to the company;
- the number of options in any offer, provided that the number of shares that may be allotted on the exercise of options under the EOS will not exceed 5% of the issued capital of the company at the time of the issue of the options; and
- the exercise period and exercise price of options granted.

If the company makes a bonus issue of shares to shareholders, each unexercised option will, on exercise, entitle its holder to receive the bonus shares as if the option had been exercised before the record date for the bonus issue. If the company makes a pro rata rights issue of shares for cash to its shareholders then there is provision for adjustment of the option entitlement and exercise price of the options to overcome the diluting effect of the issue.

During the year, no options under the EOS were granted. Similarly, no executives and employees acquired any ordinary shares

under the provisions of the EOS. At 30 June 2002, no options granted under the EOS remain outstanding.

The market price of the company's ordinary shares at 30 June 2002 was \$0.66.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year.

	Consolidated		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>9 REMUNERATION OF AUDITORS</b>				
a) Auditor of the parent entity				
Auditing the financial report	1,446,000	804,000	140,000	98,000
Other services	640,000	636,000	132,440	312,000
	2,086,000	1,440,000	272,440	410,000
b) Other auditors				
Auditing the financial report	190,000	352,000	-	-
Other services	210,000	325,000	-	-
	400,000	677,000	-	-
	2,486,000	2,117,000	272,440	410,000

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>10 CURRENT INVENTORIES</b>				
Raw materials – at cost	21,313	27,295	-	-
Raw materials – at net realisable value	1,953	-	-	-
Finished goods – at cost	12,919	19,036	-	-
Finished goods – at net realisable value	649	-	-	-
Work in progress – at cost	21,854	33,727	-	-
Work in progress – at net realisable value	4,858	-	-	-
Components and spare parts – at cost	48,508	48,661	-	-
	112,054	128,719	-	-
<b>11 CURRENT RECEIVABLES</b>				
Trade receivables	368,360	351,440	-	-
Provision for doubtful debts	(1,426)	(7,181)	-	-
	366,934	344,259	-	-
Amount due from customers under construction contracts (Note 46)	256,821	109,586	-	-
Other receivables related entities	27,834	27,317	-	-
Other receivables	25,942	11,816	-	149
Other receivables controlled entities	-	-	210,398	68,221
	677,531	492,978	210,398	68,370
<b>12 OTHER CURRENT FINANCIAL ASSETS</b>				
Investments, at cost	7,211	-	-	-
Employee loans	2,554	3,456	2,554	3,106
Advances to joint venture entities	3,188	6,152	-	-
Other financial assets	7,432	-	829	-
	20,385	9,608	3,383	3,106
<b>13 CURRENT TAX ASSETS</b>				
Tax refunds	12,111	6,800	-	-
<b>14 OTHER CURRENT ASSETS</b>				
Deferred costs	4,407	1,489	-	354
Prepayments	4,804	6,079	44	33
Other deposits	157	301	-	-
Other current assets	940	-	-	-
	10,308	7,869	44	387

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>15 NON-CURRENT RECEIVABLES</b>				
Trade receivables	11,889	10,900	-	-
Amount due from customers under construction contracts (Note 46)	1,609	799	-	-
Other receivables	6,239	7,226	-	2,690
Other receivables controlled entities	-	-	409,308	477,273
	19,737	18,925	409,308	479,963

## 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint venture entities (Note 38 (b))	26,367	24,020	-	-
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## 17 PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Freehold Land	Quarries	Buildings	Plant and Equipment	Equipment Under Finance Lease	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Carrying Amount</b>						
Balance at 30 June 2001	22,745	4,395	41,732	903,610	57,299	1,029,781
Additions	417	-	4,309	92,251	604	97,581
Disposals	(6,767)	-	(8,567)	(137,949)	(15,212)	(168,495)
Acquisitions of businesses	400	-	4,112	6,672	5,611	16,795
Net foreign currency exchange differences arising on translation of financial statements of self sustaining foreign operations	358	327	591	10,505	-	11,781
Balance at 30 June 2002	17,153	4,722	42,177	875,089	48,302	987,443
<b>Accumulated Depreciation/Amortisation</b>						
Balance at 30 June 2001	-	1,064	2,796	404,236	20,312	428,408
Depreciation	-	115	1,700	84,038	6,820	92,673
Disposals	-	-	(313)	(66,582)	(6,450)	(73,345)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	-	86	113	8,543	146	8,888
Balance at 30 June 2002	-	1,265	4,296	430,235	20,828	456,624
<b>NET BOOK VALUE</b>						
As at 30 June 2001	22,745	3,331	38,936	499,374	36,987	601,373
As at 30 June 2002	17,153	3,457	37,881	444,854	27,474	530,819

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 to the Financial Statements. Freehold land and buildings, which were owned by the economic entity at 30 June 1999 and still owned at 30 June 2002, were subject to independent valuation during the 2001 financial year in accordance with AASB1040. The basis of valuation was market value for existing use. The net book value of such land and buildings and associated independent valuations were \$11,467,555 and \$12,150,999 respectively.

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>18 INTANGIBLES</b>				
Goodwill	279,047	242,362	-	-
Accumulated amortisation	(34,695)	(22,666)	-	-
	244,352	219,696	-	-
Intellectual property	34,185	36,890	-	-
Accumulated amortisation	(1,105)	(931)	-	-
	33,080	35,959	-	-
Drilling licence	2,100	2,100	-	-
Accumulated amortisation	(1,007)	(797)	-	-
	1,093	1,303	-	-
	278,525	256,958	-	-

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in Note 2 to the Financial Statements.

## 19 OTHER NON-CURRENT FINANCIAL ASSETS

Shares in controlled entities	-	-	226,416	225,883
Other financial assets	7,958	-	-	-
	7,958	-	226,416	225,883

## 20 DEFERRED TAX ASSETS

Future income tax benefits:

Tax losses – revenue	5,517	2,043	-	-
Timing differences	20,808	16,150	793	616
	26,325	18,193	793	616

## 21 OTHER NON-CURRENT ASSETS

Deferred costs	1,726	-	-	-
Prepayments	149	-	-	-
Other	973	-	-	-
	2,848	-	-	-

## 22 CURRENT PAYABLES

Trade payables	302,232	312,764	1,425	4,297
Amounts due to customers under construction contracts (Note 46)	46,303	30,270	-	-
Goods and services tax payable	10,612	5,209	-	-
Advances from joint venture entities	12,913	-	-	-
Other	17,449	4,570	-	-
	389,509	352,813	1,425	4,297

# notes to the financial statements

for the financial year ended 30 June 2002

2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>23 CURRENT INTEREST – BEARING LIABILITIES</b>				
Secured: (Note 27)				
Other loans	6,383	3,514	-	-
Finance lease liabilities (Note 36(b))	11,703	14,118	-	-
Hire purchase liabilities (Note 36(c))	4,089	1,037	-	-
	22,175	18,669	-	-
Unsecured:				
Other loans	1,426	-	-	-
Bank overdraft (Note 27)	462	-	-	-
	1,888	-	-	-
	24,063	18,669	-	-

## 24 CURRENT PROVISIONS AND OTHER CURRENT LIABILITIES

Dividends	19,679	14,008	18,386	12,664
Employee entitlements (Note 30)	51,362	42,198	1,889	839
Contract claims and warranties	15,860	15,054	-	-
Restructuring	744	6,230	-	8,505
Future contract losses	-	3,774	-	-
Other	-	1,221	187	475
Total current provisions	87,645	82,485	20,462	22,483
Unearned revenue	6,365	772	-	-
	94,010	83,257	20,462	22,483

## 25 CURRENT TAX LIABILITIES

Income tax payable	5,784	9,923	5,889	586
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## 26 NON-CURRENT PAYABLES

Trade payables	-	2,297	-	-
Amounts due to customers under construction contracts (Note 46)	1,189	870	-	-
Non-trade payables to:				
Controlled entities	-	-	253,134	256,202
Related entities	-	-	21,724	21,725
Other	973	298	-	-
	2,162	3,465	274,858	277,927

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>27 NON-CURRENT INTEREST-BEARING LIABILITIES</b>				
Secured:				
Other loans	-	6,382	-	-
Finance lease liabilities (Note 36(b))	8,803	16,706	-	-
Hire purchase liabilities (Note 36(c))	1,371	3,673	-	-
	10,174	26,761	-	-
Unsecured:				
Bank loans	213,948	309,975	-	-
US\$ notes	305,090	150,573	-	-
Convertible notes	-	35,000	-	35,000
	519,038	495,548	-	35,000
	529,212	522,309	-	35,000
<b>Financing facilities</b>				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdraft (i)	500	10,000	-	-
Bank loans (i)	378,661	383,682	-	-
Convertible notes (ii)	-	35,000	-	35,000
Hire purchase and lease facilities (iii)	185,285	214,007	-	-
US\$ notes (iv)	305,090	150,573	-	-
Other loans (v)	6,383	9,896	-	-
	875,919	803,158	-	35,000
Facilities utilised at balance date:				
Bank overdraft	462	-	-	-
Bank loans	213,948	309,975	-	-
Convertible notes	-	35,000	-	35,000
Hire purchase and lease facilities	27,392	35,534	-	-
US\$ notes	305,090	150,573	-	-
Other loans	6,383	9,896	-	-
	553,275	540,978	-	35,000
Facilities not utilised at balance date:				
Bank overdraft	38	10,000	-	-
Bank loans	164,713	73,707	-	-
Hire purchase and lease facilities	157,893	178,473	-	-
	322,644	262,180	-	-

At 30 June 2002, the consolidated entity had bank guarantee and other bank collateral facilities and insurance bond facilities totalling \$602,638,000 of which \$342,019,000 was not utilised.

**(i) Bank loans/overdraft**

Bank loans/overdraft while unsecured, are subject to various group guarantee arrangements, bear interest at prevailing market rates and have varying maturity dates extending to July 2003.

**(ii) Convertible notes**

51,948,052 8.5% convertible notes were issued on 25 March 1999 at an issue price of \$0.67375 per note. Each note entitled the holder to one ordinary share at a cost of \$0.67375 per ordinary share. During the financial year, all notes were converted resulting in the issue of all ordinary shares.

**(iii) Hire purchase and lease facilities**

Hire purchase and lease facilities are secured by the assets financed.

**(iv) US\$ unsecured notes**

In October 1999 and December 2001 the consolidated entity issued US\$95,000,000 (\$150,573,000) and US\$80,000,000 (\$154,517,183) in unsecured notes, with varying maturities extending to 2014. The USD principal and interest have been fully hedged. Interest is payable to US note holders semi-annually. While unsecured, the US notes are subject to group guarantee arrangements.

**(v) Other loans**

Other non-current loans totalling \$6,383,000 (2001: \$9,896,000) are secured by the respective assets being financed.

# notes to the financial statements

for the financial year ended 30 June 2002

2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>28 NON-CURRENT PROVISIONS</b>				
Employee entitlements (Note 30)	14,769	16,308	95	95
Other	1,759	1,205	-	-
	16,528	17,513	95	95

## 29 DEFERRED TAX LIABILITIES

Deferred income tax	60,433	35,333	201	253
The provision for deferred income tax has been reduced by future income tax benefits attributable to:				
i) timing differences	22,391	16,745	-	-
ii) tax losses	34,089	35,560	-	-
	56,480	52,305	-	-

## 30 EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:

Current (Note 24)	51,362	42,198	1,889	839
Non-current (Note 28)	14,769	16,308	95	95
	66,131	58,506	1,984	934

## 31 CONTRIBUTED EQUITY

Issued Share Capital

962,952,523 fully paid ordinary shares (2001: 791,524,019)	546,973	434,740	546,973	434,740
65,000 fully paid converting preference shares (2001: 65,000)	60,732	60,732	-	-
	607,705	495,472	546,973	434,740

### Fully paid ordinary share capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Preference share capital

Converting preference shares issued by Downer Construction (Hong Kong) Limited convert into ordinary shares in Downer EDI Limited on a two thousand for one basis (ie.130,000,000 ordinary shares) and are due for conversion no later than 25 March 2004.

### Share Options

Unissued capital over which options are held as at the reporting date is Nil (2001: 27,272,727).

The 27,272,727 1:1 options over unissued ordinary shares of the company were exercised during the year, resulting in the issue of 27,272,727 ordinary shares of the company at an issue price of \$0.55.



	Consolidated/Company			
	2002		2001	
	No. '000	\$'000	No. '000	\$'000
<b>31 CONTRIBUTED EQUITY continued</b>				
<b>Fully paid ordinary share capital</b>				
Balance at beginning of financial year	791,524	434,740	523,075	262,463
Issue of shares through dividend reinvestment plan elections	18,269	11,463	2,016	1,022
Issue of shares under executive share option plan	-	-	7,812	3,391
Issue of shares on conversion of Convertible Notes	51,948	35,000	-	-
Issue of shares on exercise of unlisted options	27,273	15,000	-	-
Shares issued pursuant to share purchase plan	6,621	5,119	-	-
Shares issued pursuant to an institutional placement	42,159	29,297	-	-
Issue of shares on exercise of listed options	-	-	1,600	800
Issue of shares on acquisition of businesses	25,159	16,354	257,021	167,064
Balance at end of financial year	962,953	546,973	791,524	434,740

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

## 32 RESERVES

Reserves comprise

Asset revaluation	-	622	-	-
Foreign currency translation	380	17,163	-	-
	380	17,785	-	-

Movement in reserves

*Asset revaluation*

Balance at beginning of financial year	622	622	-	-
Transfer to retained profits	(622)	-	-	-
Balance at end of financial year	-	622	-	-

The asset revaluation reserve arose on the revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained profits.

*Foreign currency translation reserve*

Balance at beginning of financial year	17,163	(702)	-	-
Translation of foreign operations	(16,783)	17,865	-	-
Balance at end of financial year	380	17,163	-	-

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1.

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>33 RETAINED PROFITS</b>				
Balance at beginning of financial year	72,857	49,114	3,023	1,024
Net profit	56,431	45,516	21,555	18,572
Transfers from reserves	622	-	-	-
Dividends provided for or paid	(28,430)	(21,773)	(23,312)	(16,573)
Balance at end of financial year	101,480	72,857	1,266	3,023

## 34 EARNINGS PER SHARE

	2002 Cents per Share	2001 Cents per Share
Basic earnings per share	5.8	6.1
Diluted earnings per share	5.5	5.7

### Basic earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2002 \$'000	2001 \$'000
Earnings (a)	51,231	40,316
	<b>No. (000's)</b>	<b>No. (000's)</b>
Weighted average number of ordinary shares (b)	878,694	659,120

a) Earnings used in the calculation of basic earnings per share

reconciles to net profit in the statement of financial performance as follows:

	2002 \$'000	2001 \$'000
Net Profit	56,431	45,516
Preference share dividends provided for or paid	(5,200)	(5,200)
Earnings used in the calculation of basic EPS	51,231	40,316

b) The converting preference shares, options and convertible notes are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

### Diluted earnings per share:

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2002 \$'000	2001 \$'000
Earnings (c)	57,417	46,358
	<b>No. (000's)</b>	<b>No. (000's)</b>
Weighted average number of ordinary shares and potential ordinary shares (d), (e)	1,035,916	816,393

### 34 EARNINGS PER SHARE continued

c) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2002 \$'000	2001 \$'000
Net Profit	56,431	45,516
Interest on convertible notes	986	842
Earnings used in the calculation of diluted EPS	57,417	46,358

d) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2002 No. (000's)	2001 No. (000's)
Weighted average number of ordinary shares used in the calculation of basic EPS	878,694	659,120
Shares deemed to be issued for no consideration in respect of:		
Converting preference shares	130,000	130,000
Options	4,657	27,273
Convertible notes	22,565	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	1,035,916	816,393

e) Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share:

	2002 No. (000's)	2001 No. (000's)
Options	4,657	-
Convertible notes	22,565	-
	27,222	-

### 35 DIVIDENDS

	2002		2001	
	Cents per share	\$'000	Cents per share	\$'000
<b>Fully Paid Ordinary Shares</b>				
Interim dividend (unfranked)	0.5	5,016	0.5	3,929
Final dividend (unfranked)	1.9	18,296	1.6	12,644
<b>Converting Preference Shares</b>				
Final dividend (unfranked)	\$80 per share	5,200	\$80 per share	5,200

	Company	
	2002 \$'000	2001 \$'000
Franking account balance	-	-

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>36 COMMITMENTS FOR EXPENDITURE</b>				
<b>a) Capital expenditure commitments</b>				
<i>Plant and equipment</i>				
Not longer than 1 year	1,897	6,640	-	-
<b>b) Lease commitments</b>				
<i>Non-cancellable operating leases</i>				
Operating leases relate to property, plant and equipment with varying terms matching the cash outflow rentals with expected revenue streams.				
Not longer than 1 year	40,653	29,488	-	-
Longer than 1 year and not longer than 5 years	81,092	53,482	-	-
Longer than 5 years	6,313	5,963	-	-
	128,058	88,933	-	-
<i>Finance lease liabilities</i>				
Not longer than 1 year	12,280	15,482	-	-
Longer than 1 year and not longer than 5 years	9,566	17,632	-	-
Longer than 5 years	-	8	-	-
Minimum finance lease payments	21,846	33,122	-	-
Less future finance charges	1,340	2,298	-	-
Finance lease liabilities	20,506	30,824	-	-
Included in the financial statements as:				
Current interest-bearing liabilities (Note 23)	11,703	14,118	-	-
Non-current interest-bearing liabilities (Note 27)	8,803	16,706	-	-
	20,506	30,824	-	-
<b>c) Other expenditure commitments</b>				
<i>Hire purchase liabilities</i>				
Not longer than 1 year	4,310	1,288	-	-
Longer than 1 year and not longer than 5 years	1,497	3,831	-	-
Minimum hire purchase payments	5,807	5,119	-	-
Less future finance charges	347	409	-	-
Hire purchase liabilities	5,460	4,710	-	-
Included in the financial statements as:				
Current interest-bearing liabilities (Note 23)	4,089	1,037	-	-
Non-current interest-bearing liabilities (Note 27)	1,371	3,673	-	-
	5,460	4,710	-	-

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>37 NON-HEDGED FOREIGN CURRENCY BALANCES</b>				
The Australian dollar equivalent of foreign currency balances included in the financial statements which are not effectively hedged are as follows:				
<b>Singapore dollars</b>				
Trade payables – Current	159	-	-	-
Borrowings – Current	361	-	-	-
Borrowings – Non Current	142	39	-	-
Receivables – Current	-	3,729	-	-
Receivables – Non-Current	530	81	-	-
<b>Fiji dollars</b>				
Receivables – Current	1,770	7,105	-	-
Borrowings – Current	527	575	-	-
Receivables – Non Current	6,075	-	-	-
<b>New Zealand dollars</b>				
Borrowings – Current	518	182	-	-
Borrowings – Non-current	103,687	48,414	-	-
Receivables – Current	51,886	19,382	-	-
Receivables – Non-current	-	1,005	-	-
<b>PNG Kina</b>				
Trade payable – Non-current	-	262	-	-
Receivables – Current	7,987	3,412	-	-
Borrowings – Non-current	-	118	-	-
<b>United States dollars</b>				
Trade payables – Current	-	1,717	-	-
Borrowings – Current	975	3,882	-	-
Receivables – Current	2,275	-	-	-
<b>Malaysian ringgit</b>				
Trade payables – Current	301	363	-	-
<b>Hong Kong dollars</b>				
Trade payables – Non-current	200	-	-	-
Borrowings – Current	7,122	-	-	-
Receivables – Current	21,319	22,562	-	-
Receivables – Non-current	-	405	-	-
Borrowings – Non current	86	-	-	-
<b>Tongan Pa'anga</b>				
Trade payables – Current	93	-	-	-
Receivables – Current	-	288	-	-
<b>UK Pounds</b>				
Trade Payable – Current	-	81	-	-
Receivables – Current	46	-	-	-
<b>South African Rand</b>				
Borrowings – Current	179	26	-	-

# notes to the financial statements

for the financial year ended 30 June 2002

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## 38 JOINT VENTURE OPERATIONS AND ENTITIES

a) The consolidated entity has interests in the following joint venture operations.

Name of Entity	Principal Activity	Ownership Interest	
		2002 %	2001 %
BPL Downer Joint Venture	Construction of residential housing	50	-
Clough Downer Joint Venture	Construction of port facilities	50	-
Downer-Hill Joint Venture	Road construction upgrading	66.66	66.66
Lucas Downer Joint Venture	Construction and maintenance of telecommunications infrastructure	*	50
Playford Power Station Joint Venture	Refurbishment of power station	50	-
<i>Joint ventures conducted with related parties:</i>			
Airfield Works Joint Venture	Airport civil engineering	49	49
CKC Joint Venture	Construction of office tower	50	50
Paul Y-Downer Joint Venture	Airport fire station and control centre building work	50	50
Paul Y-Downer Joint Venture	Building redevelopment	50	50
Ting Kau Contractors Joint Venture	Bridge and approach construction	25	25

\* Acquired 100% ownership during the financial year.

The following amounts represent the consolidated entity's interest in assets employed in the above joint ventures. The amounts are included in the consolidated financial statements under their respective asset categories:

	2002 \$'000	2001 \$'000
<b>Current assets</b>		
Cash	1,593	2,432
Receivables	32,909	53,444
Inventories	7,955	-
Total current assets	42,457	55,876
<b>Non-current assets</b>		
Property, plant and equipment	670	1,578
Intangibles	2,977	-
Other	3,755	3,143
Total non-current assets	7,402	4,721
<b>Total Assets</b>	<b>49,859</b>	<b>60,597</b>

## 38 JOINT VENTURE OPERATIONS AND ENTITIES continued

b) The consolidated entity and its controlled entities have interests in the following Joint Venture entities.

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2002 %	2001 %	2002 \$'000	2001 \$'000
Allied Asphalts Limited	Supply of asphalt products in New Zealand	50	50	1,025	998
Bitumen Supplies Limited	Supply of bitumen products in New Zealand	50	50	4,004	6,378
Clyde Babcock Hitachi Pty Ltd	Design, construction and maintenance of boilers	27	27	1,745	1,583
EDI Rail Bombardier Transportation Pty Ltd	Sale of railway rolling stock	50	-	-	-
John Holland EDI Joint Venture	Design and construction of a replacement research reactor facility for ANSTO	40	40	2,426	-
Manufacturer 3M SA de C.V.	Casting and fabrication of metal products	49	49	5,095	5,943
Roche Blasting Services Joint Venture*	Contract blasting	50	100	4,357	-
Roche Carey Joint Venture	Contract mining	50	50	2,097	1,866
Roche Eltin Joint Venture	Contract mining	50	50	5,485	7,139
Roche Thiess Linfox Joint Venture	Contract mining	44	44	133	113
Western Lee Joint Venture	Mechanical and electrical services to ALCOA	50	50	-	-

\* Formed part of consolidated group in 2001

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## 38 JOINT VENTURE OPERATIONS AND ENTITIES continued

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Equity accounted investment</b>				
Equity accounted amount of investment at the beginning of the financial year	24,020	11,828	-	-
Share of net profit	12,059	8,589	-	-
Share of distributions	(13,879)	(3,436)	-	-
Acquisition of interest in joint venture entities	4,167	7,039	-	-
Equity accounted amount of investment at the end of the financial year	26,367	24,020	-	-
The following amounts represent the consolidated entity's share of the above joint venture entities:				
<b>Current assets</b>				
Cash	3,544	3,537	-	-
Inventories	10,074	16,240	-	-
Receivables	19,671	22,818	-	-
Other	5,331	1,086	-	-
Total current assets	38,620	43,681	-	-
<b>Current liabilities</b>				
Payables	19,416	18,859	-	-
Interest-bearing liabilities	62	57	-	-
Provisions	10,597	8,651	-	-
Total current liabilities	30,075	27,567	-	-
<b>Non-current assets</b>				
Plant and equipment	23,712	14,125	-	-
Other	11,155	13,907	-	-
Total non-current assets	34,867	28,032	-	-
<b>Non-current liabilities</b>				
Interest bearing liabilities	15,159	20,114	-	-
Provisions	3,080	5,410	-	-
Total non-current liabilities	18,239	25,524	-	-
<b>Net Assets</b>	25,173	18,622	-	-
<b>Share of Operating Profit</b>				
Revenue from ordinary activities	168,225	106,090	-	-
Expenses from ordinary activities	155,486	97,186	-	-
Profit from ordinary activities before income tax	12,739	8,904	-	-
Income tax expense relating to ordinary activities	680	315	-	-
Net Profit	12,059	8,589	-	-

### Contingent liabilities and capital commitments

The consolidated entity's share of the contingent liabilities and expenditure commitments of joint venture entities are disclosed in Note 45.



## 39 CONTROLLED ENTITIES

Name of Controlled Entity	Country of Incorporation	Ownership Interest 2002	Ownership Interest 2001
Beckbell Pty Ltd	Australia	100%	100%
Byrne & Davidson Doors (Qld) Pty Ltd	Australia	100%	100%
Byrne & Davidson Holdings Pty Ltd	Australia	100%	100%
Cendrill Supply Pty Limited	Australia	100%	100%
Century Administration Pty Limited	Australia	100%	100%
Century Drilling Limited	Australia	100%	100%
Century Drilling & Energy Services (NZ) Ltd *	New Zealand	100%	100%
Century Energy Services Pty Limited	Australia	100%	100%
Clyde Finance Pty Ltd	Australia	100%	100%
Clyde Investor (No. 2) Pty Ltd #	Australia	-	100%
DCC Company Limited *	British Virgin Is.	100%	100%
DCE Limited *	New Zealand	100%	100%
DGL Investments Ltd *	New Zealand	100%	100%
Downer Connect Limited *	New Zealand	100%	100%
Downer Connect Pty Ltd	Australia	100%	100%
Downer Construction (Australia) Pty Limited	Australia	100%	100%
Downer Construction (Fiji) Limited *	Fiji	100%	100%
Downer Construction (Hong Kong) Limited *	Hong Kong	100%	100%
Downer Construction (New Zealand) Limited *	New Zealand	100%	100%
Downer Construction (PNG) Limited *	PNG	100%	100%
Downer Construction Tonga Ltd *	Tonga	100%	100%
Downer Energy Systems Pty Ltd	Australia	100%	100%
Downer Engineering Company Pty Limited	Australia	100%	100%
Downer Engineering Ltd *	New Zealand	100%	100%
Downer Engineering Group Pty Limited	Australia	100%	100%
Downer Engineering (Malaysia) Sdn Bhd *	Malaysia	100%	100%
Downer Engineering (Singapore) Pte Ltd *	Singapore	100%	100%
Downer Group Construction (Malaysia) Sdn Bhd *	Malaysia	100%	100%
Downer Group Finance Pty Limited	Australia	100%	100%
Downer Group Services Limited *	New Zealand	100%	100%
Downer Holdings Pty Ltd	Australia	100%	100%
Downer MBL Australia Limited *	New Zealand	100%	100%
Downer MBL Holdings Limited *	New Zealand	100%	100%
Downer MBL Limited *	New Zealand	100%	100%
Downer MBL Pty Limited	Australia	100%	100%
Downer RML Pty Ltd	Australia	100%	100%
Downer MBL South America Limited *	New Zealand	100%	100%
Eco-Energy Solutions Pty Ltd	Australia	100%	100%
EDICO Pty Ltd	Australia	100%	100%
EDI Distribution Pty Ltd	Australia	100%	100%
EDI Finance Pty Ltd	Australia	100%	100%
EDI Rail Investments Pty Ltd	Australia	100%	100%
Evans Deakin Industries (New Zealand) Ltd *	New Zealand	100%	100%
Evans Deakin Industries Pty Ltd	Australia	100%	100%
Evans Deakin Investments Pty Limited	Australia	100%	100%
Evans Deakin Pty Ltd	Australia	100%	100%
Faxgroove Pty Ltd	Australia	100%	100%
Gaden Drilling Pty Limited	Australia	100%	100%
JR Engineering Services Pty Limited	Australia	100%	-
Nikfinn Pty Ltd	Australia	100%	100%
Overseas Corporate Funds (UK) Limited #	United Kingdom	-	100%
Pauanui Lakes Development Limited *	New Zealand	100%	-
Paul Y Construction (Singapore) Pte Ltd *	Singapore	100%	100%
Pembinaan Downer Aust Pty Limited	Australia	100%	100%
P T Dinamik Dayabor Ciptakarsa j	Indonesia	100%	100%

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## 39 CONTROLLED ENTITIES continued

Name of Controlled Entity	Country of Incorporation	Ownership Interest 2002	Ownership Interest 2001
Rayfall Pty Ltd	Australia	100%	100%
Rayjune Pty Ltd	Australia	100%	100%
Richter Drilling Indonesia Pty Limited	Australia	100%	100%
Richter Drilling International Pty Limited	Australia	100%	100%
Richter Drilling (PNG) Pty Limited #	PNG	100%	100%
Roche Blasting Services Pty Ltd	Australia	-	100%
Roche Bros (Hong Kong) Ltd *	Hong Kong	100%	100%
Roche Bros (PNG) Ltd #	PNG	100%	100%
Roche Bros (Superannuation) Pty Ltd	Australia	100%	100%
Roche Contractors Pty Limited	Australia	100%	100%
Roche Highwall Mining Pty Limited	Australia	100%	100%
Roche Holdings (NZ) Limited *	New Zealand	100%	100%
Roche Mining (MT) India Pvt Limited *	India	100%	-
Roche Mining (MT) South Africa Pty Ltd *	South Africa	100%	100%
Roche Mining (MT) USA Inc. *	United States	100%	100%
Roche Mining (NZ) Limited *	New Zealand	100%	100%
Roche Mining Pty Limited	Australia	100%	100%
Roche Services Pty Ltd	Australia	100%	100%
Rockdril Contractors Pty Limited	Australia	100%	100%
Scanbright Pty Ltd	Australia	100%	100%
Starblake Pty Ltd	Australia	100%	100%
Tas21 Pty Limited	Australia	100%	100%
Technic Industries Limited *	New Zealand	100%	100%
Walkers Pty Ltd	Australia	100%	100%
Works Infrastructure Limited *	New Zealand	100%	100%
Works Infrastructure Pty Limited	Australia	100%	100%

\*Audited by associate firms of Deloitte Touche Tohmatsu

#Audited by firms other than Deloitte Touche Tohmatsu

j Audit not required in local jurisdiction

## 40 ACQUISITION OF BUSINESSES

Names of Business Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition \$'000
<i>Controlled entities:</i>				
J R Engineering Services Pty Ltd	Mine Engineering	1 July 2001	100	43,302
<i>Businesses:</i>				
Transtel	Telecommunications Infrastructure Construction	28 Sept 2001	-	1,318
Lucas Downer	Telecommunications Infrastructure Construction	1 July 2001	-	3,700

## 41 SEGMENT INFORMATION

Information on Business Segments

Segment Revenue	External		Inter-Segment		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Engineering	719,477	438,149	687	409	720,164	438,558
Mining	791,982	448,634	5,348	147	797,330	448,781
Resources	76,872	76,983	14,634	6,870	91,506	83,853
Infrastructure Services	415,484	426,181	3,356	2,567	418,840	428,748
Rail	374,390	173,424	53,978	1,409	428,368	174,833
Discontinued businesses	62,339	61,077	-	98	62,339	61,175
					2,518,547	1,635,948
Eliminations					(78,003)	(11,500)
Unallocated					1,905	8,376
<b>Total revenue</b>					<b>2,442,449</b>	<b>1,632,824</b>

Share of sales revenue in joint venture entities net of distributions:

Engineering	20,988	-
Mining	115,569	85,304
Infrastructure Services	6,630	-
<b>Total turnover</b>	<b>2,585,636</b>	<b>1,718,128</b>

Segment Results	Results	
	2002 \$'000	2001 \$'000
Engineering	28,608	18,811
Mining	39,455	25,232
Resources	567	5,514
Infrastructure Services	14,750	21,999
Rail	12,841	9,007
Discontinued businesses	4,333	(1,890)
Unallocated	(22,412)	(13,805)
Income tax expense relating to ordinary activities	(21,711)	(19,352)
Net Profit	56,431	45,516

Segment Assets & Liabilities	Assets		Liabilities	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Engineering	427,145	356,011	152,725	156,338
Mining	492,630	447,347	131,865	94,680
Resources	192,198	197,981	21,209	12,604
Infrastructure Services	243,333	238,216	74,552	82,190
Rail	396,208	259,784	88,108	95,124
Discontinued businesses	11,261	80,924	1,858	14,667
	1,762,775	1,580,263	470,317	455,603
Unallocated	68,491	49,133	651,384	587,679
	<b>1,831,266</b>	<b>1,629,396</b>	<b>1,121,701</b>	<b>1,043,282</b>

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## 41 SEGMENT INFORMATION continued

### Other Segment Information

	Engineering	Mining	Resources	Infrastructure Services	Rail	Discontinued
	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
Carrying value of investments accounted for using the equity method	4,171	12,072	-	5,029	5,095	-
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	2,137	8,937	-	1,015	(30)	-
Acquisition of segment assets	11,361	63,187	9,655	14,662	4,805	-
Depreciation and amortisation of segment assets	12,308	56,016	10,386	12,640	7,032	2,114

	Engineering	Mining	Resources	Infrastructure Services	Rail	Discontinued
	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
Carrying value of investments accounted for using the equity method	1,578	9,118	-	7,381	5,943	-
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	450	7,373	-	683	83	-
Acquisition of segment assets	17,495	31,159	11,188	18,603	142,288	-
Depreciation and amortisation of segment assets	12,032	41,135	9,469	12,148	3,545	1,947

### The economic entity operated predominantly in five business segments:

- Rail - provides rolling stock and associated maintenance services including the design, manufacture, refurbish, overhaul and maintenance of diesel electric locomotives, electric locomotives, electric and diesel multiple units, rail wagons, traction motors and rolling stock generally. Also provides specialist engineered manufacturing services.
- Engineering – provides engineering services (design, construct and maintain) specialising in telecommunications, capital works, power and process engineering.
- Mining – including mine planning and management, drilling and blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration.
- Resources – including drilling services for the oil and gas, mineral and geothermal sectors.
- Infrastructure Services – including the performance of maintenance and construction of roads and highways, construction and maintenance of rail infrastructure including tracks, signals and overhead electrification and infrastructure maintenance services including utilities, water supply, sewage and waste water treatment, refuse disposal, street cleaning and the tending of parks and gardens.
- Unallocated – results include financing and corporate costs for continuing businesses, net of other income.

## 41 SEGMENT INFORMATION continued

Geographic	Revenue from External Customers		Segment Assets		Acquisition of Segment Assets	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Australia	1,725,340	962,877	1,338,937	974,546	87,757	189,582
Pacific	608,561	565,424	324,417	466,652	15,580	21,181
South East Asia	12,266	15,823	64,139	81,586	117	144
North East Asia	96,282	88,700	103,773	106,612	216	59
	2,442,449	1,632,824	1,831,266	1,629,396	103,670	210,966

The economic entity operated in four geographical areas – Australia, Pacific (including New Zealand, Papua New Guinea and Fiji), South East Asia (Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines) and North East Asia (Hong Kong).

## 42 DISCONTINUED BUSINESSES

**Building Products**

Building Products operations constitute the design and manufacture of garage and industrial doors and automatic door openers, industrial wheels and casters, car jacks and air filtration equipment for the Australian and New Zealand market.

In the 2001 Annual Report it was announced that the B&D Roller door business, which formed part of the Building Products segment, was to be divested, and that scoping of the sale had been completed and the sales process was underway. The business was sold effective 30 November 2001.

The remaining portion of the business segment, Clyde-Apac was also sold effective 30 November 2001. This represented completion of the divestment process of non-core businesses and surplus assets acquired through the takeover of Evans Deakin Industries Limited.

The consolidated entity recognised a gain before income tax of \$5,459 thousand (related income tax of \$1,638 thousand) arising from the disposals, being proceeds of disposal less the carrying amounts of the net assets of the building products business.

The carrying amounts of total assets and total liabilities disposed of were:

	<b>\$'000</b>
Total Assets	45,871
Total Liabilities	14,149
Net Assets disposed	31,722

Details of the financial performance and cash flows of the building products business for the period from 1 July 2001 to 30 November 2001 were as follows:

	<b>Period Ended 30 November 2001 \$'000</b>	<b>Year Ended 30 June 2001 \$'000</b>
<b>Financial Performance</b>		
Revenue from ordinary activities	57,018	61,077
Expenses from ordinary activities	56,287	63,736
Profit from ordinary activities before income tax expense	731	(2,659)
Income tax expense relating to ordinary activities	219	(769)
Net Profit	512	(1,890)
<b>Cash Flows</b>		
Net cash flows from operating activities	(690)	4,163
Net cash flows from investing activities	(1,165)	(1,498)
Net cash flows from financing activities	(3,311)	(4,199)
Total Net Cash flows	(5,166)	(1,534)

# notes to the financial statements

for the financial year ended 30 June 2002

## 43 RELATED PARTY DISCLOSURES

### a) Directors' remuneration and retirement benefits

Details of Directors' remuneration and retirement benefits are disclosed in Note 5 to the financial statements.

### b) Other transactions with Directors

A director of the company B D O'Callaghan had an interest as a partner in the firm Corrs Chambers Westgarth, solicitors. This firm renders legal advice to the consolidated entity in the ordinary course of business under normal commercial terms and conditions. The amount of fees paid was \$1,055,000 (2001: \$1,740,000). A director of the company J S Humphrey has an interest as a partner in the firm Malleson Stephen Jaques, solicitors. This firm renders legal advice to the consolidated entity in the ordinary course of business under normal commercial terms and conditions. The amount of fees paid was \$41,000 (2001: \$16,000). During the year the consolidated entity purchased listed shares and listed options at market value totalling \$7,211,000 from a director related entity of T J Kennedy.

### c) Transactions within the wholly-owned group

Details of dividend and interest revenue derived by the parent entity from wholly owned controlled entities is disclosed in Note 2 to the financial statements. Aggregate amounts receivable from and payable to wholly owned controlled entities are disclosed in Notes 11, 15 and 26 to the financial statements.

Other transactions occurred during the financial year between entities in the wholly owned group on normal commercial terms.

### d) Transactions with other related parties

Details of interest revenue from other related parties are disclosed in Note 2 to the financial statements. Details of interest expense paid to other related parties are disclosed in Note 2 to the financial statements.

The company has entered into an agreement with a related entity enabling amounts receivable from and payable to the related entity to be offset.

Amounts receivable from and payable to other related parties are disclosed in Notes 11, 12 and 26 to the financial statements.

### e) Controlling entities

The parent entity in the wholly owned group is Downer EDI Limited.

### f) Directors' equity

	Fully paid ordinary shares	Executive Options
<b>2002</b>		
Acquired during the financial year by Directors and their Director-related entities:		
Downer EDI Limited	86,828	-
Held at the reporting date by Directors and their Director-related entities:		
Downer EDI Limited	1,746,831	-
<b>2001</b>		
Acquired during the financial year by Directors and their Director-related entities:		
Downer EDI Limited	180,520	3,000,000
Options lapsed during the financial year:		
Downer EDI Limited	-	3,375,000
Held at the reporting date by Directors and their Director-related entities:		
Downer EDI Limited	1,660,003	-

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

## 44 NOTES TO THE STATEMENT OF CASH FLOWS

### a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	91,400	51,237	827	79
Short term deposits	14,898	12,716	-	-
Bank Overdrafts	(462)	-	-	-
	105,836	63,953	827	79

### b) Businesses acquired

During the financial year, businesses were acquired. Details of the acquisitions are as follows:

Considerations:

Cash	59,980	139,206	-	-
Other financial assets	-	5,000	-	-
Issue of ordinary shares	16,354	167,064	-	-
	76,334	311,270	-	-

The consideration paid during the 2002 financial year includes deferred amounts for acquisitions disclosed in prior years.

Fair value of net assets acquired

#### Current Assets

Cash	-	26,327	-	-
Receivables	53,863	124,612	-	-
Inventories	4,752	50,490	-	-
Other	192	27	-	-
<b>Total Current Assets</b>	58,807	201,456	-	-

#### Non-current Assets

Receivables	-	2,343	-	-
Investments accounted for using the equity method	-	6,669	-	-
Property, plant and equipment	16,795	138,890	-	-
Intangibles	-	88,252	-	-
Other	378	-	-	-
<b>Total Non-current Assets</b>	17,173	236,154	-	-
<b>Total Assets</b>	75,980	437,610	-	-

# notes to the financial statements

for the financial year ended 30 June 2002



	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>44 NOTES TO THE STATEMENT OF CASH FLOWS continued</b>				
b) Businesses acquired (continued)				
Fair value of net assets acquired (continued)				
<b>Current Liabilities</b>				
Payables	16,319	83,539	-	-
Interest Bearing Liabilities	2,562	-	-	-
Provisions	4,625	50,782	-	-
Other	417	17	-	-
<b>Total Current Liabilities</b>	<b>23,923</b>	<b>134,338</b>	<b>-</b>	<b>-</b>
<b>Non-current Liabilities</b>				
Payables	-	76	-	-
Interest-bearing liabilities	5,063	90,944	-	-
Provisions	1,111	12,182	-	-
<b>Total Non-current Liabilities</b>	<b>6,174</b>	<b>103,202</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>30,097</b>	<b>237,540</b>	<b>-</b>	<b>-</b>
<b>Net assets acquired</b>	<b>45,883</b>	<b>200,070</b>	<b>-</b>	<b>-</b>
Goodwill on acquisition	30,451	111,200	-	-
	76,334	311,270	-	-
Net cash outflow on acquisition				
Cash consideration	59,980	139,206	-	-
Less net cash balances acquired	-	26,327	-	-
	59,980	112,879	-	-
c) Businesses disposed				
During the financial year, the building products business and 50% of Roche Blasting Services Pty Ltd were disposed. Details of the disposals are as follows:				
Considerations:				
Cash	25,504	-	-	-
Receivables	15,937	-	-	-
	41,441	-	-	-



	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>44 NOTES TO THE STATEMENT OF CASH FLOWS continued</b>				
c) Businesses disposed (continued)				
Fair value of net assets disposed				
<b>Current Assets</b>				
Receivables	700	-	-	-
Inventories	17,661	-	-	-
Other	292	-	-	-
<b>Total Current Assets</b>	<b>18,653</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current Assets</b>				
Property, plant and equipment	31,216	-	-	-
Intangibles	1,662	-	-	-
<b>Total Non-current Assets</b>	<b>32,878</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>51,531</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>				
Payables	10,956	-	-	-
Interest-bearing liabilities	36	-	-	-
Provisions	4,295	-	-	-
<b>Total Current Liabilities</b>	<b>15,287</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>15,287</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net assets disposed	36,244	-	-	-
Profit on disposal	5,197	-	-	-
	41,441	-	-	-
Net cash inflow on disposal				
Cash consideration	25,504	-	-	-
	25,504	-	-	-

d) Non-cash financing and investing activities

During the financial year, \$62,816,213 in equity was issued in respect of:

- i. Part consideration for the purchase of businesses (\$16,353,328)
- ii. Dividend reinvestment plan elections (\$11,462,885); and
- iii. Conversion of convertible notes (\$35,000,000).

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>44 NOTES TO THE STATEMENT OF CASH FLOWS continued</b>				
e) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities:				
Profit from ordinary activities after related income tax	56,431	45,516	21,555	18,572
Profit on sale of non-current assets	(3,991)	(3,047)	-	-
Share of joint ventures profits net of distributions	1,820	(5,153)	-	-
Depreciation and amortisation of non-current assets	107,993	82,135	-	-
Profit on sale of investments	(3,083)	(380)	-	-
Unrealised exchange (gain)/loss	(466)	144	254	173
Increase/(decrease) in income tax payable	(8,764)	(3,349)	5,303	493
Increase/(decrease) in tax balances	16,981	22,238	(229)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(127,499)	(52,907)	(142,028)	-
Current inventories	3,756	(25,136)	-	-
Current tax assets	(5,311)	-	-	-
Other financial assets	(10,777)	(8,318)	(277)	1,689
Other current assets	(10,090)	8,625	343	(29,685)
Non-current receivables	(812)	(3,135)	106,615	-
Other non-current financial assets	(7,958)	(18,212)	(533)	-
Other non-current assets	(2,470)	-	-	-
Increase/(decrease) in liabilities:				
Current trade payables	30,348	55,138	(2,872)	62
Current provisions	14,644	(14,060)	(2,021)	206
Non-current payables	(1,303)	(4,547)	3,069	-
Non-current provisions	(2,096)	(5,042)	-	-
<b>Net cash from operating activities</b>	<b>47,353</b>	<b>70,510</b>	<b>(10,821)</b>	<b>(8,490)</b>

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>45 CONTINGENT LIABILITIES</b>				
i) The consolidated entity has bank guarantees, bid bonds and performance bonds, issued in respect of contract performance, in the normal course of business for:				
Wholly-owned controlled entities	260,619	197,215	260,619	109,703
Other related parties	-	955	-	-
	260,619	198,170	260,619	109,703
ii) Contract dispute with subcontractor, which is recoverable from customer if subcontractor claim proves successful.	6,581	7,205	-	-
iii) A controlled entity is in legal dispute with a joint venture partner who is claiming wrongful termination of the joint venture.	-	768	-	-
iv) Termination benefits under service agreements.	719	467	-	-
v) Joint Venture entities owned by the consolidated entity have non-cancellable operating lease commitments for which, should the Joint Venture entity not be able to meet those obligations, the consolidated entity may become liable.	33,070	35,384	-	-
	300,989	241,994	260,619	109,703

In the ordinary course of business:

- vi) The company and certain controlled entities are called upon to give guarantees and indemnities in respect of the performance by counter parties including controlled entities and related parties of their contractual and financial obligations. Other than as noted above, these guarantees and indemnities are indeterminable in amount.
- vii) There exists in some members of the consolidated entity the normal design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance cover for this liability.
- viii) Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.
- ix) Controlled entities are subject to claims and counter claims with respect to contracting.

# notes to the financial statements

for the financial year ended 30 June 2002

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	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>46 CONSTRUCTION CONTRACTS</b>				
For construction contracts in progress as at reporting date:				
Construction work in progress	2,813,898	2,093,282	-	-
Progress Billings and advances received	2,608,724	2,018,448	-	-
Less: Advances received	5,764	4,411	-	-
Progress Billings	2,602,960	2,014,037	-	-
Amount disclosed in Statement of Financial Position	210,938	79,245	-	-
Recognised and included in the financial statements as amounts due:				
From customers under construction contracts:				
Current (Note 11)	256,821	109,586	-	-
Non-current (Note 15)	1,609	799	-	-
To customers under construction contracts:				
Current (Note 22)	(46,303)	(30,270)	-	-
Non-current (Note 26)	(1,189)	(870)	-	-
Amount disclosed in Statement of Financial Position	210,938	79,245	-	-

## 47 FINANCIAL INSTRUMENTS

### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

#### Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at the reporting date.

2002	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
<b>Financial Assets</b>							
Cash	5.63	102,990	-	-	-	3,308	106,298
Trade receivables	6.01	-	-	8,970	-	629,709	638,679
Other financial assets		-	-	-	-	28,343	28,343
Other receivables	5.44	-	1,390	-	-	30,791	32,181
Related party receivables	5.00	27,272	-	-	-	562	27,834
		130,262	1,390	8,970	-	692,713	833,335
<b>Financial Liabilities</b>							
Trade payables		-	-	-	-	360,336	360,336
Bank overdrafts	6.29	462	-	-	-	-	462
Bank loans	7.26	112,479	101,469	-	-	-	213,948
Other loans	5.92	-	7,809	-	-	-	7,809
Finance lease liabilities	6.40	-	11,703	8,803	-	-	20,506
Hire purchase liabilities	6.92	-	4,089	1,371	-	-	5,460
US\$ notes*	7.37	180,573	-	57,041	67,476	-	305,090
Dividend payable		-	-	-	-	19,679	19,679
Other payables		-	-	-	-	18,422	18,422
Employee entitlements		-	-	-	-	66,131	66,131
Due to joint venture partners		-	-	-	-	12,913	12,913
		293,514	125,070	67,215	67,476	477,481	1,030,756

# notes to the financial statements

for the financial year ended 30 June 2002

## 47 FINANCIAL INSTRUMENTS continued

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2001:

2001	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
<b>Financial Assets</b>							
Cash	4.5	63,953	-	-	-	-	63,953
Trade receivables		-	-	-	-	450,306	450,306
Other receivables		-	-	-	-	28,521	28,521
Related party receivables		-	-	-	-	49,736	49,736
		63,953	-	-	-	528,563	592,516
<b>Financial Liabilities</b>							
Trade payables		-	-	-	-	351,410	351,410
Bank loans	6.3	309,975	-	-	-	-	309,975
Other loans	6.0	9,896	-	-	-	-	9,896
Convertible Notes	8.5	-	-	-	35,000	-	35,000
Non trade payables		-	-	-	-	4,868	4,868
Finance lease liabilities	6.3	-	14,118	16,698	8	-	30,824
Hire purchase liabilities	6.6	-	1,037	3,671	2	-	4,710
US\$ notes*	8.6	63,492	-	-	87,081	-	150,573
Dividend payable		-	-	-	-	14,008	14,008
Employee entitlements		-	-	-	-	58,506	58,506
		383,363	15,155	20,369	122,091	428,792	969,770

\*Interest rate swaps have been entered into for the purposes of managing exposure to interest rate fluctuations. The interest rate swaps' notional principal amounts are equal to the principal amounts of the US\$ notes.

## 47 FINANCIAL INSTRUMENTS continued

### Derivative Financial Instruments

The consolidated entity has not entered into or traded derivative financial instruments for speculative purposes.

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

### Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The net fair value of unrecognised financial instruments as at balance date would give rise to a gain of \$1,240,000 (2001: Nil) representing the net amount receivable in order to realise favourable contracts and settle unfavourable contracts.

### Commodity Contracts

The consolidated entity has entered into the following commodity contracts:

	2002 Average rate per oz	2001 Average rate per oz	2002 \$'000	2001 \$'000
<b>Buy Gold</b>				
Less than 3 months	539.25	539.25	(3,236)	(1,618)
3 to 6 months	539.25	539.25	(3,235)	(1,618)
Longer than 6 months	539.25	539.25	(28,634)	(39,958)
			(35,105)	(43,194)
<b>Sell Gold</b>				
Less than 3 months	539.25	539.25	3,236	1,618
3 to 6 months	539.25	539.25	3,235	1,618
Longer than 6 months	539.25	539.25	28,634	39,958
			35,105	43,194
<b>Net commodity contracts</b>			-	-

# notes to the financial statements

for the financial year ended 30 June 2002

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## 47 FINANCIAL INSTRUMENTS continued

### Foreign Exchange Risk

To manage foreign exchange exposure on foreign currency loans and specific currency payments and receipts, the consolidated entity enters into foreign exchange contracts to hedge commitments denominated in foreign currencies. The following table summarises by currency the Australian dollar value of forward exchange contracts at balance date.

	2002 Weighted Average	2001 Rate	2002 \$'000	2001 \$'000
Buy US Dollars				
Less than 3 months	0.5381	0.5703	(10,599)	(11,674)
3 to 6 months	0.5363	0.5430	(19,285)	(6,630)
Later than six months	0.5732	0.6273	(310,169)	(157,203)
			(340,053)	(175,507)
Sell US Dollars				
Less than 3 months	0.5394	0.5283	3,044	15,196
3 to 6 months	0.5476	0.5205	2,223	6,917
Later than six months	-	0.5205	-	6,917
			5,267	29,030
Buy Japanese Yen				
Less than 3 months	69.5	60.4	(5,715)	(2,663)
Buy Euro				
Less than 3 months	0.5802	0.5733	(684)	(634)
3 to 6 months	-	0.6316	-	(63)
Later than six months	0.5776	0.6115	(10,762)	(22)
			(11,446)	(719)
Sell Euro				
Later than six months	0.5663	-	3,223	-
Buy French Francs				
Less than 3 months	-	3.8917	-	(134)
Buy German Deutsche Marks				
Less than 3 months	-	1.1797	-	(2,544)
			(348,724)	(152,537)



# directors' declaration

The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr K Y Lau  
Director



Mr S J Gillies  
Director

Sydney, 23 August 2002

# independent audit report

to the members of downer edi limited

## Scope

We have audited the financial report of Downer EDI Limited for the financial year ended 30 June 2002 as set out on pages 5 to 47. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit Opinion

In our opinion, the financial report of Downer EDI Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



DELOITTE TOUCHE TOHMATSU



D J Quinlin

Partner  
Chartered Accountants

Sydney, 30 August 2002

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

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# corporate directory



## Corporate Head Office

### Downer EDI Limited

Level 3, 190 George Street  
SYDNEY NSW 2000  
Tel: 61 2 9251 9899  
Fax: 61 2 9251 1987  
ABN 97 003 872 848

## Engineering Division

### Australia -

#### Division Head Office

Downer Engineering Group  
Pty Limited  
Level 7 'Compaq House'  
76 Berry Street  
NORTH SYDNEY NSW 2060  
Tel: 61 2 9966 2400  
Fax: 61 2 9955 9649  
ABN 16 006 016 495

### New Zealand

2 Carmont Place  
Mt Wellington  
AUCKLAND NEW ZEALAND  
Tel: 64 9 270 6801  
Fax: 64 9 270 7680

### Hong Kong

15/F Paul Y Centre  
51 Hung To Road  
Kwun Tong  
KOWLOON HONG KONG  
Tel: 852 2831 8123  
Fax: 852 2575 8748

### Singapore

105 Cecil Street  
# 12-03/04  
The Octagon  
SINGAPORE 069534  
Tel: 656 221 6366  
Fax: 656 225 0074

### Papua New Guinea

Section 32, Lot 10  
Saraga Street  
6 Mile  
PORT MORESBY PNG  
Tel: 67 5325 3466  
Fax: 67 5325 0680

## Infrastructure Division

### New Zealand -

#### Division Head Office

KPMG Legal Building  
Level 5  
22 Fanshaw Street  
PO Box 6373  
AUCKLAND NEW ZEALAND  
Tel: 64 9 303 9870  
Fax: 64 9 303 9872

### Australia -

#### Division Head Office

Level 4  
589 Collins Street  
MELBOURNE VICTORIA 3000  
Tel: 61 3 9619 5442  
Fax: 61 3 9619 1636  
ABN 66 008 709 608

Level 1, 130 Fauntleroy Avenue

REDCLIFFE WA 6104

Tel: 61 8 9475 6000

Fax: 61 8 9475 6001

ABN 66 008 709 608

## Mining Division

### Australia -

#### Division Head Office

Roche Mining Pty Limited  
66 River Terrace  
KANGAROO POINT QLD 4169  
Tel: 61 7 3249 6666  
Fax: 61 7 3393 0733  
ABN 49 004 142 223

### South Africa

47 Bezuidenhout Road  
WADEVILLE 1407  
REPUBLIC OF SOUTH AFRICA  
Tel: 27 11 827 0330  
Fax: 27 11 824 2728

## Rail Division

### Australia -

#### Division Head Office

EDI Rail  
2B Factory Street  
GRANVILLE NSW 2142  
Tel: 61 2 9637 8288  
Fax: 61 2 9637 6783  
ABN 92 000 002 031

Walkers Pty Ltd

23 Bowen Street

MARYBOROUGH QLD 4650

Tel: 61 7 4120 8100

Fax: 61 7 4122 4400

ABN 43 009 656 484

## Resource Services Division

### Australia -

#### Division Head Office

Century Drilling Limited  
49 Campbell Avenue  
WACOL QLD 4076  
Tel: 61 7 3879 3333  
Fax: 61 7 3879 3322  
ABN 25 002 975 439

### New Zealand

Century Drilling & Energy  
Services (NZ) Ltd  
166 Karetoto Road  
WAIRAKEI NEW ZEALAND  
Tel: 64 7 374 8899  
Fax: 64 7 374 8508

### Indonesia

PT Dinamik Dayabor Ciptakarsa  
Jl Gaharu 1 #15  
Cilandak Barat  
JAKARTA SELATAN 12430  
INDONESIA  
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